

Auditing Procedures Report

Issued under Public Act 2 of 1968, as amended .

Unit Name	Charter Township of Union	County	ISABELLA	Type	TOWNSHIP	MuniCode	37-1-140
Opinion Date	5/14/2008	Audit Submitted	Jun 23, 2008	Fiscal Year	2007		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 1,118,757.00
General Fund Expenditure:	\$ 1,363,080.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 1,350,116.00
Governmental Activities Long-Term Debt (see instructions):	\$ 35,148.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Michael R.	Last Name	Zimmerman	Ten Digit License Number	1101018243
CPA Street Address	6018 Eastman Ave.	City	Midland	State	MI
				Zip Code	48640
				Telephone	+1 (989) 631-6060
CPA Firm Name	Yeo & Yeo, CPA's	Unit's Street Address	2010 S. Lincoln Rd.	City	Mt. Pleasant
				Zip Code	48858

**Charter Township of Union
Isabella County, Michigan**

**Annual Financial Statements
and
Auditors' Report
December 31, 2007**

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**Charter Township of Union
List of Elected and Appointed Officials
December 31, 2007**

TOWNSHIP OFFICIALS

Supervisor

James Collin

Clerk

Margie Henry

Treasurer

Deborah Supka

Trustees

Russell Alwood

James Horton, II

Marian McDonald

John Verwey

Superintendent

Gwen Plowman



6018 Eastman Avenue
Midland, MI 48640
Phone (989) 631-6060 / (800) 701-3574
Fax (989) 631-4288

Independent Auditors' Report

To the Township Officials
Charter Township of Union
Isabella County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Charter Township of Union as of and for the year ended December 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Charter Township of Union as of December 31, 2007 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The managements' discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Union basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

May 14, 2008
Midland, Michigan

Charter Township of Union

Managements' Discussion and Analysis

Year Ended December 31, 2007

Charter Township of Union (the "Township"), Michigan follows the requirements of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Managements' Discussion and Analysis, a requirement of GASB 34, is intended to be the Township's managements' discussion and analysis of the financial results for the fiscal year ended December 31, 2007.

Overview of Financial Statements

The annual report consists of four parts: managements' discussion and analysis (this section), the basic financial statements, the required supplementary information, and other supplemental information. Generally Accepted Accounting Principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Government-wide Financial Statements and Fund Financial Statements.

Government-wide Financial Statements

The Government-wide statements provide a perspective of the Township as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two Government-wide statements: the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets (page 4-1) combines and consolidates the governmental fund current financial resources (short-term spendable resources) with capital assets, regardless of whether they are currently available or not.

Consistent with the full accrual basis method of accounting, the Statement of Activities (page 4-2) accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various district services.

When analyzed together, the two statements help the reader determine whether the Township is financially stronger or weaker as a result of the year's activities.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year (fund balance).

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Township's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The Township maintains three individual governmental funds. Information is presented separately in the governmental fund balance

Charter Township of Union Managements' Discussion and Analysis Year Ended December 31, 2007

sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, fire protection, and construction code enforcement funds, each of which are considered to be a major fund.

The Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison schedules have been provided herein to demonstrate compliance with those budgets.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected in the Government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning budgetary information for the Township's major funds.

SUMMARY OF NET ASSETS:

Township's Net Assets

The following summarizes the Township's net assets at fiscal year ended December 31, 2007 and 2006:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current assets	\$ 2,683,378	\$ 2,745,843	\$ 7,184,586	\$ 7,228,601	\$ 9,867,964	\$ 9,974,444
Capital assets	1,247,914	1,115,775	20,068,558	20,381,890	21,316,472	21,497,665
Total assets	3,931,292	3,861,618	27,253,144	27,610,491	31,184,436	31,472,109
Liabilities						
Current liabilities	10,126	8,245	185,770	182,990	195,896	191,235
Long-term liabilities	35,148	60,761	9,254,467	10,147,446	9,289,615	10,208,207
Total liabilities	45,274	69,006	9,440,237	10,330,436	9,485,511	10,399,442
Net Assets						
Invested in capital assets, net of related debt	1,212,766	1,055,014	10,814,091	10,234,444	12,026,857	11,289,458
Restricted	-	-	343,360	343,360	343,360	343,360
Unrestricted	2,673,252	2,737,598	6,655,456	6,702,251	9,328,708	9,439,849
Total net assets	\$ 3,886,018	\$ 3,792,612	\$ 17,812,907	\$ 17,280,055	\$ 21,698,925	\$ 21,072,667

During the fiscal year ended December 31, 2007, the Township's total net assets increased by \$626,257. Of this amount the governmental activities showed an increase of \$93,405 and the business-type activities an increase of \$532,852.

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of Charter Township of Union, assets exceeded liabilities by \$21,698,925.

A portion of the Township's net assets (55%) reflects its investment in capital assets (e.g. land, buildings, equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are not available for future spending.

Charter Township of Union Managements' Discussion and Analysis Year Ended December 31, 2007

Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Township's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
Program Revenues:						
Charges for services	\$ 223,055	\$ 364,740	\$ 2,949,174	\$ 3,475,450	\$ 3,172,229	\$ 3,840,190
General revenues						
Property taxes	987,893	823,974	-	-	987,893	823,974
State shared revenue	540,746	684,254	-	-	540,746	684,254
Unrestricted investment earnings	110,487	82,498	322,568	256,430	433,055	338,928
Miscellaneous	85,715	163,020	29,746	111,967	115,461	274,987
Total revenues	<u>1,947,896</u>	<u>2,118,486</u>	<u>3,301,488</u>	<u>3,843,847</u>	<u>5,249,384</u>	<u>5,962,333</u>
Expenses						
General government	380,162	415,470	-	-	380,162	415,470
Public safety	473,434	443,543	-	-	473,434	443,543
Public works	895,196	782,074	-	-	895,196	782,074
Community and economic development	11,057	18,014	-	-	11,057	18,014
Recreation and culture	92,896	251,790	-	-	92,896	251,790
Interest on long term debt	1,746	3,136	-	-	1,746	3,136
Water	-	-	1,872,816	1,827,075	1,872,816	1,827,075
Sewer	-	-	895,820	1,237,014	895,820	1,237,014
Total expenses	<u>1,854,491</u>	<u>1,914,027</u>	<u>2,768,636</u>	<u>3,064,089</u>	<u>4,623,127</u>	<u>4,978,116</u>
Change in net assets	<u>\$ 93,405</u>	<u>\$ 204,459</u>	<u>\$ 532,852</u>	<u>\$ 779,758</u>	<u>\$ 626,257</u>	<u>\$ 984,217</u>
Ending net assets	<u>\$ 3,886,018</u>	<u>\$ 3,792,612</u>	<u>\$ 17,812,907</u>	<u>\$ 17,280,055</u>	<u>\$ 21,698,925</u>	<u>\$ 21,072,667</u>

Governmental Activities

The Township's total governmental revenue decreased by \$170,590 from last fiscal year. This was primarily attributed to an increase in property taxes and interest revenue offset by decreases in charges for services and State revenue sharing. Expenses decreased by \$59,536. General government expenses decreased by \$35,308 due to the project at Jameson Park being completed. Public Safety increased by \$29,891, due to hiring a secretary for the building inspector. Public Works increased \$113,122 due to road improvements, and

Recreation and Culture decreased by \$158,894 due to completed projects in 2006.

Business-type Activities

Charges for services decreased by approximately \$526,276, which was due to the economy and decreases in building projects.

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$2,674,446 a decrease of \$65,475 in comparison with the prior year. Approximately 99% of this amount (\$2,646,890) constitutes unreserved fund balance, which is available for spending at the Township's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has been used to prepay expenses for the next fiscal year.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,325,950. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents approximately 97% of total general fund expenditures.

The fund balance of the General Fund decreased by \$244,323 during the current fiscal year due to higher spending on capital improvements, such as roads, which will be completed in 2008.

The fund balance of the Fire Fund increased by \$170,486 during the current fiscal year, which is attributable to an increase in taxes due to growth in the Township and interest earned.

Charter Township of Union Managements' Discussion and Analysis Year Ended December 31, 2007

The fund balance of the Construction Code Enforcement Fund increased by \$8,362 during the current fiscal year, which was due to increased interest earned.

The net assets of the sewer fund increased by \$90,931 during the year which was due to an increase in connection fees and user charges.

The net assets of the water fund increased by \$441,921 during the year due to less expenditures and upgrades from 2006.

General Fund Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The most significant budgeted fund is the General Fund. The General Fund budget was amended during the year. As additional information became known during the fiscal year, budget amendments were made to recognize the additional revenue and/or planned expenditures related to various Township programs.

Differences between the original and final amended budgets were relatively minor.

Capital Assets and Debt Administration

Capital Assets

The Township's investment in capital assets for its governmental activities as of December 31, 2007, amounted to \$1,247,914 (net of accumulated depreciation). Investment in capital assets for its business-type activities as of December 31, 2007, amounted to \$20,068,558 (net of accumulated depreciation). Investment in capital assets included land, buildings, equipment, and sewer and water systems.

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Capital assets not being depreciated						
Land	\$ 160,650	\$ 160,650	\$ 275,780	\$ 275,780	\$ 436,430	\$ 436,430
Construction in progress	156,852	-	-	-	156,852	-
Capital assets being depreciated						
Land improvements	122,917	132,234	7,574	8,680	130,491	140,914
Building & improvements	573,725	583,668	88,204	94,484	661,929	678,152
Equipment	98,136	87,864	233,319	222,436	331,455	310,300
Vehicles	120,394	134,223	35,710	33,858	156,104	168,081
Office equipment	15,240	17,136	-	-	15,240	17,136
Sewer system	-	-	6,417,172	6,528,029	6,417,172	6,528,029
Sewer treatment plant	-	-	7,249,651	7,418,248	7,249,651	7,418,248
Water system	-	-	5,761,148	5,734,730	5,761,148	5,734,730
Construction in progress	-	-	-	65,645	-	65,645
Capital assets	<u>\$ 1,247,914</u>	<u>\$ 1,115,775</u>	<u>\$ 20,068,558</u>	<u>\$ 20,381,890</u>	<u>\$ 21,316,472</u>	<u>\$ 21,497,665</u>

The Township's investment in capital assets included land, buildings, and equipment.

Long-term Debt

At the end of the current fiscal year, the Township had total long-term debt outstanding of \$9,350,148.

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Special assessment debt with governmental commitment	\$ -	\$ -	\$ -	\$ 355,000	\$ -	\$ 355,000
Revenue bonds	-	-	9,315,000	9,855,000	9,315,000	9,855,000
Capital leases	25,600	49,804	-	-	25,600	49,804
Compensated absences	9,548	10,957	-	-	9,548	10,957
	<u>\$ 35,148</u>	<u>\$ 60,761</u>	<u>\$ 9,315,000</u>	<u>\$ 10,210,000</u>	<u>\$ 9,350,148</u>	<u>\$ 10,270,761</u>

No new debt was issued during the year and \$920,613 was retired.

Economic Factors and Next Year's Budget

The following factors were considered in preparing the Township's budget for the 2008 fiscal year:

Revenues are expected to be consistent in 2008 as compared to 2007, with increases expected in 2008 due to significant growth in the

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2007**

Southeast portion of the township. Increases in spending are planned for roads.

Request for Information

This financial report is designed to provide our citizens and taxpayers with a general overview of the Township's finances. If you have questions about this report or would like additional information, contact the Township office.

Charter Township of Union
Statement of Net Assets
December 31, 2007

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
Assets				
Cash and cash equivalents	\$ 1,664,221	\$ 4,814,364	\$ 6,478,585	\$ 1,602,429
Receivables				
Taxes	793,192	-	793,192	674,865
Customers	-	670,866	670,866	-
Special assessments	-	818,069	818,069	276,745
Other	18,709	-	18,709	-
Due from other units of government	179,438	-	179,438	-
Due from component unit	262	-	262	-
Inventories	-	3,155	3,155	-
Prepaid items	27,556	65,028	92,584	17,435
Deferred charge	-	469,744	469,744	42,535
Restricted assets				
Cash and cash equivalents	-	343,360	343,360	388,533
Capital assets not being depreciated	317,502	275,780	593,282	156,852
Capital assets - net of accumulated depreciation	930,412	19,792,778	20,723,190	-
Total assets	<u>3,931,292</u>	<u>27,253,144</u>	<u>31,184,436</u>	<u>3,163,436</u>
Liabilities				
Accounts payable	8,932	43,288	52,220	83,589
Accrued and other liabilities	1,194	139,599	140,793	114,595
Due to primary government	-	-	-	262
Deferred revenue	-	2,883	2,883	253,533
Noncurrent liabilities				
Due within one year	25,600	565,000	590,600	87,073
Due in more than one year	9,548	8,689,467	8,699,015	666,850
Total liabilities	<u>45,274</u>	<u>9,440,237</u>	<u>9,485,511</u>	<u>1,205,902</u>
Net Assets				
Invested in capital assets, net of related debt	1,212,766	10,814,091	12,026,857	-
Restricted for:				
Debt	-	343,360	343,360	174,382
Unrestricted	2,673,252	6,655,456	9,328,708	1,783,152
Total net assets	<u>\$ 3,886,018</u>	<u>\$ 17,812,907</u>	<u>\$ 21,698,925</u>	<u>\$ 1,957,534</u>

See Accompanying Notes to Financial Statements

Charter Township of Union
Statement of Activities
Year Ended December 31, 2007

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 380,162	\$ 62,673	\$ -	\$ -	\$ (317,489)	\$ -	\$ (317,489)	\$ -
Public safety	473,434	160,382	-	-	(313,052)	-	(313,052)	-
Public works	895,196	-	-	-	(895,196)	-	(895,196)	-
Community and economic development	11,057	-	-	-	(11,057)	-	(11,057)	-
Recreation and culture	92,896	-	-	-	(92,896)	-	(92,896)	-
Interest on long-term debt	1,746	-	-	-	(1,746)	-	(1,746)	-
Total governmental activities	<u>1,854,491</u>	<u>223,055</u>	<u>-</u>	<u>-</u>	<u>(1,631,436)</u>	<u>-</u>	<u>(1,631,436)</u>	<u>-</u>
Business-type activities								
Sewer	1,872,816	1,780,921	-	-	-	(91,895)	(91,895)	-
Water	895,820	1,168,253	-	-	-	272,433	272,433	-
Total business-type activities	<u>2,768,636</u>	<u>2,949,174</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>180,538</u>	<u>180,538</u>	<u>-</u>
Total primary government	<u>\$ 4,623,127</u>	<u>\$ 3,172,229</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,631,436)</u>	<u>180,538</u>	<u>(1,450,898)</u>	<u>-</u>
Component unit								
East Downtown Development Authority	\$ 228,785	\$ -	\$ -	\$ -				\$ (228,785)
West Downtown Development Authority	162,136	-	-	-				(162,136)
Total component units	<u>\$ 390,921</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				<u>(390,921)</u>
General revenues								
Property taxes					987,893	-	987,893	882,449
Special assessments					-	-	-	31,716
State shared revenue					540,746	-	540,746	-
Unrestricted investment earnings					110,487	322,568	433,055	99,029
Miscellaneous					85,715	29,746	115,461	167,903
Total general revenues and transfers					<u>1,724,841</u>	<u>352,314</u>	<u>2,077,155</u>	<u>1,181,097</u>
Change in net assets					93,405	532,852	626,257	790,176
Net assets - beginning of year					3,792,613	17,280,055	21,072,668	1,164,676
Prior period adjustment					-	-	-	2,682
Net assets - end of year					<u>\$ 3,886,018</u>	<u>\$ 17,812,907</u>	<u>\$ 21,698,925</u>	<u>\$ 1,957,534</u>

See Accompanying Notes to Financial Statements

Charter Township of Union
Governmental Funds
Balance Sheet
December 31, 2007

	General	Fire	Construction Code Enforcement	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 821,125	\$ 484,196	\$ 358,900	\$ 1,664,221
Receivables				
Taxes	314,725	478,467	-	793,192
Other	18,705	-	4	18,709
Due from other units of government	179,438	-	-	179,438
Due from component unit	262	-	-	262
Prepaid items	24,166	-	3,390	27,556
Total assets	<u>\$ 1,358,421</u>	<u>\$ 962,663</u>	<u>\$ 362,294</u>	<u>\$ 2,683,378</u>
Liabilities				
Accounts payable	\$ 8,305	\$ -	\$ 627	\$ 8,932
Fund Balances				
Reserved for:				
Prepaid items	24,166	-	3,390	27,556
Unreserved, reported in:				
General fund	1,325,950	-	-	1,325,950
Special revenue funds	-	962,663	358,277	1,320,940
Total fund balances	<u>1,350,116</u>	<u>962,663</u>	<u>361,667</u>	<u>2,674,446</u>
Total liabilities and fund balances	<u>\$ 1,358,421</u>	<u>\$ 962,663</u>	<u>\$ 362,294</u>	<u>\$ 2,683,378</u>

See Accompanying Notes to Financial Statements

Charter Township of Union
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
December 31, 2007

Total fund balances for governmental funds \$ 2,674,446

Total net assets for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Capital assets not being depreciated 317,502

Capital assets-net of accumulated depreciation 930,412

Certain liabilities are not due and payable in the current period and are not reported in the funds.

Accrued interest (1,194)

Compensated absences (9,548)

Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.

(25,600)

Net assets of governmental activities **\$ 3,886,018**

Charter Township of Union
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended December 31, 2007

	General	Fire	Construction Code Enforcement	Total Governmental Funds
Revenues				
Taxes	\$ 436,255	\$ 551,638	\$ -	\$ 987,893
Licenses and permits	58,573	-	160,382	218,955
State revenue sharing	540,746	-	-	540,746
Interest income	68,544	25,632	16,311	110,487
Rental income	4,100	-	-	4,100
Other revenue	10,539	75,133	43	85,715
Total revenues	<u>1,118,757</u>	<u>652,403</u>	<u>176,736</u>	<u>1,947,896</u>
Expenditures				
Current				
General government	511,421	-	-	511,421
Public safety	7,417	-	-	7,417
Public works	737,879	-	157,317	895,196
Planning and zoning	-	-	11,057	11,057
Fire protection	-	454,839	-	454,839
Recreation and culture	79,212	-	-	79,212
Other functions	19,016	-	-	19,016
Capital outlay	8,135	-	-	8,135
Debt service				
Principal retirement	-	24,204	-	24,204
Interest and fiscal charges	-	2,874	-	2,874
Total expenditures	<u>1,363,080</u>	<u>481,917</u>	<u>168,374</u>	<u>2,013,371</u>
Net change in fund balance	(244,323)	170,486	8,362	(65,475)
Fund balance - beginning of year	<u>1,594,439</u>	<u>792,177</u>	<u>353,305</u>	<u>2,739,921</u>
Fund balance - end of year	<u>\$ 1,350,116</u>	<u>\$ 962,663</u>	<u>\$ 361,667</u>	<u>\$ 2,674,446</u>

See Accompanying Notes to Financial Statements

Charter Township of Union
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended December 31, 2007

Net change in fund balances - Total governmental funds \$ (65,475)

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(55,755)
Capital outlay	189,019
Sale of capital assets (net book value)	(1,125)

Expenses are recorded when incurred in the statement of activities

Interest	1,128
Compensated absences	1,409

Bond proceeds and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Repayments of long-term debt	<u>24,204</u>
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Change in net assets of governmental activities	<u>\$ 93,405</u>
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Charter Township of Union
Proprietary Funds
Statement of Net Assets
December 31, 2007

	Enterprise Funds		
	Sewer	Water	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 2,645,219	\$ 2,169,145	\$ 4,814,364
Receivables			
Customers	411,941	258,925	670,866
Special assessments	302,839	515,230	818,069
Inventories	-	3,155	3,155
Prepaid items	45,710	19,318	65,028
Total current assets	<u>3,405,709</u>	<u>2,965,773</u>	<u>6,371,482</u>
Noncurrent assets			
Restricted assets			
Cash and cash equivalents	223,360	120,000	343,360
Deferred charge	469,744	-	469,744
Capital assets not being depreciated	275,780	-	275,780
Capital assets-net of accumulated depreciation	<u>13,854,194</u>	<u>5,938,584</u>	<u>19,792,778</u>
Total noncurrent assets	<u>14,823,078</u>	<u>6,058,584</u>	<u>20,881,662</u>
Total assets	<u>18,228,787</u>	<u>9,024,357</u>	<u>27,253,144</u>

See Accompanying Notes to Financial Statements

Charter Township of Union
Proprietary Funds
Statement of Net Assets
December 31, 2007

	Enterprise Funds		
	Sewer	Water	Total
Liabilities			
Current liabilities			
Accounts payable	22,887	20,401	43,288
Accrued and other liabilities	109,203	30,396	139,599
Deferred revenue	-	2,883	2,883
Current portion of noncurrent liabilities	510,000	55,000	565,000
Total current liabilities	642,090	108,680	750,770
Noncurrent liabilities			
Long-term debt, net of current portion	7,899,467	790,000	8,689,467
Total liabilities	8,541,557	898,680	9,440,237
Net Assets			
Invested in capital assets, net of related debt	5,720,507	5,093,584	10,814,091
Restricted for:			
Debt	223,360	120,000	343,360
Unrestricted	3,743,363	2,912,093	6,655,456
Total net assets	\$ 9,687,230	\$ 8,125,677	\$ 17,812,907

Charter Township of Union
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
Year Ended December 31, 2007

	Enterprise Funds		
	Sewer	Water	Total
Operating revenues			
Customer fees	\$ 1,563,123	\$ 1,133,458	\$ 2,696,581
Connection fees	217,798	1,335	219,133
Rental income	-	33,460	33,460
Other revenue	145	29,601	29,746
Total operating revenues	1,781,066	1,197,854	2,978,920
Operating expenses			
Personnel services	437,856	249,853	687,709
Supplies	127,474	22,253	149,727
Contractual services	174,077	41,605	215,682
Utilities	149,689	88,892	238,581
Repairs and maintenance	100,208	84,790	184,998
Other expenses	12,204	159,812	172,016
Depreciation	427,530	184,170	611,700
Total operating expenses	1,429,038	831,375	2,260,413
Operating income	352,028	366,479	718,507
Nonoperating revenues (expenses)			
Interest income	182,681	139,887	322,568
Interest expense	(443,778)	(64,445)	(508,223)
Total nonoperating revenue (expenses)	(261,097)	75,442	(185,655)
Change in net assets	90,931	441,921	532,852
Net assets - beginning of year	9,596,299	7,683,756	17,280,055
Net assets - end of year	\$ 9,687,230	\$ 8,125,677	\$ 17,812,907

See Accompanying Notes to Financial Statements

Charter Township of Union
Proprietary Funds
Statement of Cash Flows
Year Ended December 31, 2007

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Total
Cash flows from operating activities			
Receipts from customers	\$ 1,808,928	\$ 1,272,587	\$ 3,081,515
Receipts from other funds	-	(6,137)	(6,137)
Payments to other funds	6,137	-	6,137
Payments to suppliers	(540,870)	(397,025)	(937,895)
Payments to employees	(437,856)	(249,853)	(687,709)
Net cash provided by operating activities	<u>836,339</u>	<u>619,572</u>	<u>1,455,911</u>
Cash flows from capital and related financing activities			
Purchases/construction of capital assets	(148,049)	(150,319)	(298,368)
Principal and interest paid on long-term debt	(894,868)	(462,157)	(1,357,025)
Net cash used by capital and related financing activities	<u>(1,042,917)</u>	<u>(612,476)</u>	<u>(1,655,393)</u>
Cash flows from investing activities			
Interest received	<u>182,681</u>	<u>139,887</u>	<u>322,568</u>
Net increase in cash and cash equivalents	(23,897)	146,983	123,086
Cash and cash equivalents - beginning of year	<u>2,892,476</u>	<u>2,142,162</u>	<u>5,034,638</u>
Cash and cash equivalents - end of year	<u>\$ 2,868,579</u>	<u>\$ 2,289,145</u>	<u>\$ 5,157,724</u>
Reconciliation of operating loss to net cash provided (used) by operating activities			
Operating income	\$ 352,028	\$ 366,479	\$ 718,507
Adjustments to reconcile operating income to net cash from operating activities			
Depreciation and amortization expense	427,530	184,170	611,700
Changes in assets and liabilities			
Receivables (net)	27,862	64,882	92,744
Due from other funds	6,137	-	6,137
Inventories	-	9,650	9,650
Prepaid items	17,268	3,262	20,530
Accounts payable	7,633	(1,992)	5,641
Accrued and other liabilities	(2,119)	(943)	(3,062)
Due to other funds	-	(6,137)	(6,137)
Deferred revenue	-	201	201
Net cash provided by operating activities	<u>\$ 836,339</u>	<u>\$ 619,572</u>	<u>\$ 1,455,911</u>

See Accompanying Notes to Financial Statements

Charter Township of Union
Fiduciary Funds
Statement of Assets and Liabilities
December 31, 2007

	<u>Payroll</u>	<u>Current Tax Collection</u>	<u>Total</u>
Assets			
Cash and cash equivalents	<u>\$ 65</u>	<u>\$ -</u>	<u>\$ 65</u>
Liabilities			
Accounts payable	<u>\$ 65</u>	<u>\$ -</u>	<u>\$ 65</u>

Charter Township of Union
Combining Statement of Major Component Units
Statement of Net Assets
December 31, 2007

	East Downtown Development Authority	West Downtown Development Authority	Total
Assets			
Cash and cash equivalents	\$ 836,286	\$ 766,143	\$ 1,602,429
Receivables			
Taxes	406,700	268,165	674,865
Special assessments	-	276,745	276,745
Customers	-	4,042	4,042
Prepaid items	16,435	1,000	17,435
Deferred charge	-	42,535	42,535
Restricted assets			
Cash and cash equivalents	-	388,533	388,533
Capital assets not being depreciated	<u>156,852</u>	<u>-</u>	<u>156,852</u>
Total assets	<u>1,416,273</u>	<u>1,747,163</u>	<u>3,163,436</u>
Liabilities			
Accounts payable	83,589	-	83,589
Accrued and other liabilities	-	114,595	114,595
Due to primary government	165	97	262
Deferred revenue	-	253,533	253,533
Noncurrent liabilities			
Due within one year	-	87,073	87,073
Due in more than one year	<u>-</u>	<u>666,850</u>	<u>666,850</u>
Total liabilities	<u>83,754</u>	<u>1,122,148</u>	<u>1,205,902</u>
Net assets			
Restricted for:			
Debt	-	174,382	174,382
Unrestricted	<u>1,332,519</u>	<u>450,633</u>	<u>1,783,152</u>
Total net assets	<u>\$ 1,332,519</u>	<u>\$ 625,015</u>	<u>\$ 1,957,534</u>

See Accompanying Notes to Financial Statements

Charter Township of Union
Combining Statement of Component Units
Statement of Activities
Year Ended December 31, 2007

					Net (Expense) Revenue and Changes in Net Assets		
		Program Revenues			East	West	Total
		Charges for	Operating	Capital	Downtown	Downtown	
	Expenses	Services	Grants and	Grants and	Development	Development	
			Contributions	Contributions	Authority	Authority	
East Downtown Development Authority							
Community and economic development	\$ 140,506	\$ -	\$ -	\$ -	\$ (140,506)	\$ -	\$ (140,506)
Fire protection	67,934	-	-	-	(67,934)	-	(67,934)
Interest and fiscal charges	20,345	-	-	-	(20,345)	-	(20,345)
West Downtown Development Authority							
Community and economic development	5,380	-	-	-	-	(5,380)	(5,380)
Interest and fiscal charges	156,756	-	-	-	-	(156,756)	(156,756)
						-	
Total component units	<u>\$ 390,921</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(228,785)</u>	<u>(162,136)</u>	<u>(390,921)</u>
General revenues							
Property taxes					481,028	401,421	882,449
Special assessments					-	31,716	31,716
Interest income					38,054	60,975	99,029
Miscellaneous					167,903	-	167,903
Total general revenues and transfers					<u>686,985</u>	<u>494,112</u>	<u>1,181,097</u>
Change in net assets					458,200	331,976	790,176
Net assets - beginning of year					871,842	292,834	1,164,676
Prior period adjustment					<u>2,477</u>	<u>205</u>	<u>2,682</u>
Net assets - end of year					<u>\$ 1,332,519</u>	<u>\$ 625,015</u>	<u>\$ 1,957,534</u>

See Accompanying Notes to Financial Statements

Charter Township of Union
Notes to Financial Statements
December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Charter Township of Union is governed by an elected seven-member Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Discretely Presented Component Units – The component units' column in the entity wide financial statements includes the financial data of the East and West Downtown Development Authorities (DDA). The members of the Governing Board of the DDA's are appointed by the Township's board. The budgets and expenditures of the DDA's must be approved by the Township board. Each DDA Component Unit consists of a Special Revenue Fund and one or more Debt Service Funds. The DDA's do not issue any other form of financial statements except as contained in the Charter Township of Union annual financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially

accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Charter Township of Union
Notes to Financial Statements
December 31, 2007

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund accounts for resources used to provide fire services to residents of the Township and the surrounding area.

The Construction Code Enforcement Fund accounts for building and zoning permit and inspection activities.

The government reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the sewage collection system.

The Water Fund accounts for the activities of the water distribution system.

Additionally, the Township reports the following fund types:

The Agency Fund accounts for assets held by the Township acting as an agent for individuals and/or other funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Charter Township of Union

Notes to Financial Statements

December 31, 2007

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water funds and the internal service funds are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for sewer and water funds and the internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities, and Net Assets or Equity

Deposits – Cash and cash equivalents are considered to be cash on hand, demand deposits and money market accounts.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities

are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Personal property taxes receivable is shown net of an allowance for uncollectible. Property taxes are levied as of January 1 on property values assessed as of the prior December 31. The lien on the property occurs when the property taxes are levied (January 1).

The 2007 taxable valuation of the government totaled \$308,385,803 on which ad valorem taxes consisted of 0.9846 mill for general operating purposes and 2.1426 mills for fire operating purposes. This resulted in \$251,495 for operating expenses and \$546,908 for fire fund operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Inventories and Prepaid Items – The Township follows the policy of not recording inventories in governmental funds. The effect of not recording inventories is considered to be immaterial. Inventories of a material amount in the proprietary fund types follow the consumption method and are reported at cost using the first in, first out flow method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted assets – Certain proceeds of enterprise fund revenue bonds and general obligation bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Charter Township of Union

Notes to Financial Statements

December 31, 2007

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Land improvements	10 to 20 years
Buildings	40 to 50 years
Building improvements	15 to 50 years
Water and sewer lines	40 to 50 years
Vehicles	5 to 10 years
Machinery and equipment	5 to 20 years

Compensated absences – The Township policy allows employees to accumulate earned but unused vacation pay benefits. The government-wide and proprietary statements accrue all vacation benefits as they are earned. Upon termination of employment, employees will be paid for unused vacation time that has been earned through the last day of employment.

Long-term obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or

proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data

Comparative data is not included in the Township's financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The Township is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse

Charter Township of Union
Notes to Financial Statements
December 31, 2007

at fiscal year end.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. State law requires the Township to have its budget in place by January 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Townships to amend its budgets during the year. The Township amended its budget at various times during the year.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

NOTE 3 - DEPOSITS

At year end the government's deposits were reported in the basic financial statements in the following categories:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents
Governmental activities	\$ 1,664,221	\$ -
Business-type activities	4,814,364	343,360
Total primary government	6,478,585	343,360
Fiduciary funds	65	-
Component unit	1,602,429	-
Total	<u>\$ 8,081,079</u>	<u>\$ 343,360</u>

The breakdown between deposits is as follows:

	Primary Government	Fiduciary Funds	Component Units
Bank deposits (checking and savings accounts, money markets, certificates of deposit)	\$ 6,821,545	\$ 65	\$ 1,602,429
Petty cash and cash on hand	400	-	-
	<u>\$ 6,821,945</u>	<u>\$ 65</u>	<u>\$ 1,602,429</u>

Interest rate risk – The Township will minimize this risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; and investing funds primarily in short-term securities, liquid asset funds, money market funds, or similar investments pools limiting the average maturity in accordance with Township's cash requirements.

Credit risk – State statutes authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The investment policy adopted by the government authorizes investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory

Charter Township of Union
Notes to Financial Statements
December 31, 2007

authority as listed above.

Concentration of credit risk – The Township has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk - deposits – In the case of deposits, this is the risk that in the event of bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. As of year end, \$10,542,659 of the Township's bank balance of \$10,842,697 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 4 - CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Acquisitions	Sales & Dispositions	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 160,650	\$ -	\$ -	\$ 160,650
Construction in progress	-	156,852	-	156,852
Total capital assets not being depreciated	160,650	156,852	-	317,502
Capital assets being depreciated				
Land improvements	251,324	-	-	251,324
Buildings & improvements	799,865	5,115	-	804,980
Equipment	186,000	20,595	-	206,595
Vehicles	236,811	-	-	236,811
Office equipment	56,384	6,457	(7,500)	55,341
Total capital assets being depreciated	1,530,384	32,167	(7,500)	1,555,051
Less accumulated depreciation for				
Land improvements	(119,091)	(9,316)	-	(128,407)
Building & improvements	(216,197)	(15,058)	-	(231,255)
Equipment	(98,136)	(10,323)	-	(108,459)
Vehicles	(102,588)	(13,829)	-	(116,417)
Office equipment	(39,247)	(7,229)	6,375	(40,101)
Total accumulated depreciation	(575,259)	(55,755)	6,375	(624,639)
Net capital assets being depreciated	955,125	(23,588)	(1,125)	930,412
Governmental activities capital assets, net	\$ 1,115,775	\$ (23,588)	\$ (1,125)	\$ 1,247,914

Charter Township of Union
Notes to Financial Statements
December 31, 2007

	Beginning Balance	Acquisitions	Sales & Dispositions	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 275,780	\$ -	\$ -	\$ 275,780
Capital assets being depreciated				
Land improvements	17,776	-	-	17,776
Building & improvements	129,076	-	-	129,076
Equipment	494,236	41,860	(5,068)	531,028
Vehicles	175,110	23,700	(20,992)	177,818
Water system	7,991,852	186,255	-	8,178,107
Sewer system	10,936,386	112,198	-	11,048,584
Waste water treatment plant	8,429,827	-	-	8,429,827
Construction in progress	65,645	-	(65,645)	-
Total capital assets being depreciated	28,239,908	364,013	(91,705)	28,512,216
Less accumulated depreciation for				
Land improvements	(9,096)	(1,106)	-	(10,202)
Buildings & improvements	(34,592)	(6,280)	-	(40,872)
Equipment	(271,800)	(30,977)	5,068	(297,709)
Vehicles	(141,252)	(21,849)	20,992	(142,109)
Water system	(2,257,122)	(159,837)	-	(2,416,959)
Sewer system	(4,408,357)	(223,054)	-	(4,631,411)
Waste water treatment plant	(1,011,579)	(168,597)	-	(1,180,176)
Total accumulated depreciation	(8,133,798)	(611,700)	26,060	(8,719,438)
Net capital assets being depreciated	20,106,110	(247,687)	(65,645)	19,792,778
Business-type activities capital assets, net	\$ 20,381,890	\$ (247,687)	\$ (65,645)	\$ 20,068,558
	Beginning Balance	Acquisitions	Sales & Dispositions	Ending Balance
Component Unit				
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 156,852	\$ -	\$ 156,852

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	
General government	\$ 30,893
Recreation and culture	13,684
Public safety	11,178
Total governmental activities	55,755
Business-type activities	
Sewer	427,530
Water	184,170
Total business-type activities	611,700
Total primary government	\$ 667,455

NOTE – 5 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Due to/from Primary Government and Component Units

Receivable Entity	Payable Entity	Amount
Primary government	Component unit	
General	EDDA	\$ 165
General	WDDA	97
Total		\$ 262

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Charter Township of Union
Notes to Financial Statements
December 31, 2007

The details for interfund transfers are as follows:

<u>Funds Transferred From Component Unit</u>	<u>Funds Transferred To</u>	<u>Amount</u>
EDDA	Component unit - EDDA-Debt Retirement Fund	\$ 175,000
EDDA-Debt Retirement Fund	EDDA	<u>4,164</u>
		<u>\$ 179,164</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

Charter Township of Union
Notes to Financial Statements
December 31, 2007

NOTE 6 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital projects. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities									
Fire Truck Capital Lease	\$ 201,482	2008	5.78%	\$22,883-\$25,600	\$ 49,804	\$ -	\$ 24,204	\$ 25,600	\$ 25,600
Compensated absences					10,957	-	1,409	9,548	-
Total governmental activities					\$ 60,761	\$ -	\$ 25,613	\$ 35,148	\$ 25,600
Business-type activities									
Bonds payable									
Revenue bonds									
1990 Water Supply System and Refinancing	\$ 1,300,000	2018	5.27%	\$45,000-\$105,000	\$ 895,000	\$ -	\$ 50,000	\$ 845,000	\$ 55,000
1999 Wastewater Treatment 2001 Wastewater Treatment Plant Refunding Bonds	\$ 7,605,000	2021	4%-5.1%	\$50,000-\$250,000	7,250,000	-	385,000	6,865,000	40,000
Less Deferred Discounts					(48,361)	3,260	-	(45,101)	-
2004 Sanitary Sewer System Refunding Bonds	\$ 1,920,000	2019	2%-4.5%	\$105,000-\$165,000	1,710,000	-	105,000	1,605,000	110,000
Less Deferred Discounts					(16,718)	1,286	-	(15,432)	-
Special assessment obligations									
1993 Water Special Assessment Limited Tax Refunding Bonds	\$ 915,000	2016	3%-5.7%	\$40,000-\$35,000	355,000	-	355,000	-	-
Less Deferred Discounts					2,525	-	2,525	-	-
Total business-type activities					\$ 10,147,446	\$ 4,546	\$ 897,525	\$ 9,254,467	\$ 205,000

Charter Township of Union
Notes to Financial Statements
December 31, 2007

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Component units									
General obligation bonds									
1989 EDDA Series I	\$ 995,000	2007	6.9%-9.6%	\$75,000	\$ 75,000	\$ -	\$ 75,000	\$ -	\$ -
Less Deferred Discounts					(788)	788	-	-	-
1989 EDDA Series II	\$ 995,000	2007	6.9%-7	\$75,000	75,000	-	75,000	-	-
Less Deferred Discounts					(733)	733	-	-	-
1990 EDDA Series I	\$ 790,000	2007	6%-7.2%	\$65,000	65,000	-	65,000	-	-
Less Deferred Discounts					(615)	615	-	-	-
1991 EDDA Series I	\$ 260,000	2007	6.2%-8%	\$30,000	30,000	-	30,000	-	-
Less Deferred Discounts					(163)	163	-	-	-
1991 WDDA Series II	\$ 949,982	2018	6.3%-7.25%	\$49,388-\$31,130	473,073	-	48,700	424,373	47,073
Less Deferred Discounts					(11,400)	950	-	(10,450)	-
Revenue bonds									
1991 Water/Sewer Special									
Assesment Bond	\$ 905,000	2016	6.3%-7.25%	\$40,000-\$35,000	375,000	-	35,000	340,000	40,000
Total component units					\$ 1,079,374	\$ 3,249	\$ 328,700	\$ 753,923	\$ 87,073

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending December 31,	Governmental Activities		Business-type Activites		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 25,600	\$ 1,477	\$ 565,000	\$ 438,608	\$ 87,073	\$ 150,454
2009	-	-	580,000	415,098	84,807	154,980
2010	-	-	605,000	389,598	77,982	164,181
2011	-	-	630,000	362,710	77,876	176,828
2012	-	-	660,000	334,176	79,797	182,263
2013-2017	-	-	3,760,000	1,146,494	325,708	1,050,236
2018-2021	-	-	2,515,000	256,484	31,130	243,870
	<u>\$ 25,600</u>	<u>\$ 1,477</u>	<u>\$ 9,315,000</u>	<u>\$ 3,343,168</u>	<u>\$ 764,373</u>	<u>\$ 2,122,812</u>

Charter Township of Union
Notes to Financial Statements
December 31, 2007

NOTE 7 - NET ASSETS

The balances of the restricted assets accounts in the Enterprise Funds are as follows:

Water Fund - Replacement Reserve

The 1990 Water Fund bond requires a replacement reserve account in the amount of \$120,000 until the bonds are paid in full. This reserve has accumulated in the amount of \$120,000.

Sewer Fund - Reserve Account

The 2004 Sewer Fund bond requires a reserve account in the amount of \$223,360 until the bonds are paid in. This reserve has accumulated in the amount of \$223,360.

NOTE 8 - RISK MANAGEMENT

The Charter Township of Union is a member of a self insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. The purpose of the association is to administer a risk management fund, which protects members with loss protections for general and auto liability, motor vehicle physical damage and property. Contributions are applied to the procurement reinsurance, risk management, underwriting, payment of claims, establishment of loss reserves and other related expenses.

A member's loss contribution account is charged or credited according to the member's actual loss experience; no obligation is credited for another member's losses. If contributions are in excess of actual expenses and reserves, future contributions are decreased. Should any member have more losses paid on their behalf than contributions covering such losses, credit is extended within the association joint loss fund; such a deficit is repaid by the member in future contributions.

NOTE 9 - EMPLOYEE RETIREMENT PLAN

The Charter Township of Union participates in a defined contribution plan administered by Manufacturers Life Insurance Company. The plan is available for all Township Officials and employees. The Township is required to contribute 7.5 percent of each participant's annual compensation. Employees are required to contribute 2.5 percent of their annual compensation and additional voluntary contributions to the plan in amounts ranging from 1 to 10 percent of their annual compensation may be made. Contributions are made by employees on an after-tax basis. Upon early retirement or termination of service, other than because of death, disability or normal retirement, benefits in the plan vest immediately at 100%.

For the year ended December 31, 2007 the Township and its employees made required contributions of \$54,450 and \$18,150, respectively.

NOTE 10 - CONTINGENCIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

Litigation – The Charter Township of Union is subject to various legal proceedings arising in the course of providing public services to Township residents. The Township is presently a defendant in several cases. However, in the opinion of management and legal counsel, the Township is sufficiently covered by its liability insurance in those matters for which a monetary value is involved.

Charter Township of Union
Notes to Financial Statements
December 31, 2007

NOTE 11 – RELATED PARTY TRANSACTIONS

The Township has entered into various transactions with vendors whose owners or managers are directly related to employees or board members of the Township or its component units. The Township entered into transaction totaling \$36,370 with the Isabella Corporation during the year ended December 31, 2007. The president of the Isabella Corporation is a board member of a component unit of the Township.

The Township also entered into various transactions with the following vendors whose owners or managers are directly related to employees or board members of the Township or its component units: Alwood Landscaping and Nursery, James Alwood, and Central Concrete Products. The total with each of the vendors ranged between \$1,088 and \$5,676.

NOTE 12 – COMMITMENTS

The Township has a fire protection agreement with the City of Mt. Pleasant in which fire protection services are provided at an agreed upon amount through 2008. Under the agreement the Township also provides a fire truck for use by the City. The fund balance as of December 31, 2007 reflects taxes collected in 2007 to pay for fire protection in 2007. Township residents have committed to pay for the fire protection through a tax levy which runs through 2007. Payments due in future years amount to:

Year Ended December 31,	Amount
2008	\$ 473,090

NOTE 13 - PRIOR PERIOD ADJUSTMENT

Beginning net assets of the component units were increased by \$2,682 to correct interest expense.

Charter Township of Union
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
Year Ended December 31, 2007

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Taxes				
Property taxes	\$ 230,600	\$ 230,600	\$ 251,495	\$ 20,895
Other taxes	12,500	42,440	42,867	427
Penalties and interest	4,025	4,040	2,964	(1,076)
Administration fee	120,000	128,193	138,929	10,736
Licenses and permits	50,010	60,010	58,573	(1,437)
State revenue sharing	539,200	539,244	540,746	1,502
Interest income	55,000	65,155	68,544	3,389
Rental income	4,000	4,100	4,100	-
Other revenue	3,400	11,315	10,539	(776)
Total revenues	1,018,735	1,085,097	1,118,757	33,660
Expenditures				
General government				
Governing board	123,400	123,400	95,418	(27,982)
Superintendent	30,787	34,428	29,933	(4,495)
Supervisor	27,130	27,530	26,558	(972)
Clerk	34,110	34,110	27,886	(6,224)
Audit	15,000	15,000	9,261	(5,739)
Data processing	55,100	55,808	49,252	(6,556)
Board of review	4,310	5,665	4,880	(785)
Treasurer	50,520	53,260	47,137	(6,123)
Assessor	136,217	146,917	138,778	(8,139)
Elections	7,650	7,650	7,539	(111)
Buildings and grounds	54,525	48,525	38,693	(9,832)
Attorney	20,000	40,000	36,086	(3,914)
Total general government	558,749	592,293	511,421	(80,872)

Charter Township of Union
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
Year Ended December 31, 2007

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Public safety				
Liquor inspector	7,575	7,710	7,417	(293)
Public works				
Drains	1,100	388,348	388,344	(4)
Highways, streets, and bridges	1,015,250	1,015,250	327,482	(687,768)
Street lighting	30,000	30,000	22,053	(7,947)
Total public works	1,046,350	1,433,598	737,879	(695,719)
Recreation and culture				
Parks and recreation	94,275	101,790	79,212	(22,578)
Other functions				
Insurance and bonds	22,500	26,500	19,016	(7,484)
Capital Outlay	3,000	9,000	8,135	(865)
Total expenditures	1,732,449	2,170,891	1,363,080	(807,811)
Excess of revenues (deficiency) over expenditures	(713,714)	(1,085,794)	(244,323)	841,471
Fund balance - beginning of year	1,594,439	1,594,439	1,594,439	-
Fund balance - end of year	\$ 880,725	\$ 508,645	\$ 1,350,116	\$ 841,471

Charter Township of Union
Required Supplemental Information
Budgetary Comparison Schedule
Fire Fund
Year Ended December 31, 2007

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes	\$ 470,000	\$ 470,000	\$ 551,638	\$ 81,638
Interest income	15,000	27,000	25,632	(1,368)
Other revenue	101,434	101,434	75,133	(26,301)
	<u>586,434</u>	<u>598,434</u>	<u>652,403</u>	<u>53,969</u>
Expenditures				
Current				
Fire protection	449,430	454,930	454,839	(91)
Debt service				
Principal retirement	24,204	24,204	24,204	-
Interest and fiscal charges	3,874	3,874	2,874	(1,000)
	<u>477,508</u>	<u>483,008</u>	<u>481,917</u>	<u>(1,091)</u>
Total expenditures				
	<u>477,508</u>	<u>483,008</u>	<u>481,917</u>	<u>(1,091)</u>
Excess of revenues over expenditures	108,926	115,426	170,486	55,060
Fund balance - beginning of year	792,177	792,177	792,177	-
Fund balance - end of year	<u>\$ 901,103</u>	<u>\$ 907,603</u>	<u>\$ 962,663</u>	<u>\$ 55,060</u>

Charter Township of Union
Required Supplemental Information
Budgetary Comparison Schedule
Construction Code Enforcement Fund
Year Ended December 31, 2007

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Licenses and permits	\$ 200,500	\$ 160,125	\$ 160,382	\$ 257
Interest income	10,000	16,311	16,311	-
Other revenue	-	-	43	43
	<u>210,500</u>	<u>176,436</u>	<u>176,736</u>	<u>300</u>
Expenditures				
Current				
Public safety	162,024	168,425	157,317	(11,108)
Planning	17,120	17,120	8,116	(9,004)
Zoning	<u>7,805</u>	<u>9,305</u>	<u>2,941</u>	<u>(6,364)</u>
	<u>186,949</u>	<u>194,850</u>	<u>168,374</u>	<u>(26,476)</u>
Excess of revenues over expenditures	23,551	(18,414)	8,362	26,776
Fund balance - beginning of year	<u>353,305</u>	<u>353,305</u>	<u>353,305</u>	<u>-</u>
Fund balance - end of year	<u>\$ 376,856</u>	<u>\$ 334,891</u>	<u>\$ 361,667</u>	<u>\$ 26,776</u>

Charter Township of Union
Other Supplemental Information
Component Units
Combined Balance Sheet
December 31, 2007

	East Downtown Development Authority		West Downtown Development Authority			Total Component Units
	Operating	Debt Service	Operating	Debt Service	Debt Service Special Assessment	
Assets						
Cash and cash equivalents	\$ 836,286	\$ -	\$ 1,007,548	\$ 49,895	\$ 97,233	\$ 1,990,962
Receivables						
Taxes	33,798	-	1,744	-	-	35,542
Customers	-	-	-	-	4,042	4,042
Special assessments	-	-	-	-	276,745	276,745
Prepaid items	16,435	-	1,000	-	-	17,435
Total assets	<u>\$ 886,519</u>	<u>\$ -</u>	<u>\$ 1,010,292</u>	<u>\$ 49,895</u>	<u>\$ 378,020</u>	<u>\$ 2,324,726</u>
Liabilities						
Accounts payable	\$ 83,589	\$ -	\$ -	\$ -	\$ -	\$ 83,589
Due to general fund	165	-	97	-	-	262
Deferred revenue	108,126	-	135,000	-	253,533	496,659
Total liabilities	<u>191,880</u>	<u>-</u>	<u>135,097</u>	<u>-</u>	<u>253,533</u>	<u>580,510</u>
Fund Balances						
Unreserved	694,639	-	875,195	49,895	124,487	1,744,216
Total liabilities and fund balances	<u>\$ 886,519</u>	<u>\$ -</u>	<u>\$ 1,010,292</u>	<u>\$ 49,895</u>	<u>\$ 378,020</u>	<u>\$ 2,324,726</u>

Charter Township of Union
Other Supplemental Information
Component Units
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
December 31, 2007

Total fund balances for governmental funds	\$ 1,744,216
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	156,852
Property taxes in the DDA are recognized one year after levy.	639,323
Certain receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	243,126
Other long-term assets are not deferred in the governmental fund.	42,535
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(114,595)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	<u>(753,923)</u>
Net assets of governmental activities	<u><u>\$ 1,957,534</u></u>

Charter Township of Union
Other Supplemental Information
Component Units
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended December 31, 2007

	<u>East Downtown Development Authority</u>		<u>West Downtown Development Authority</u>		<u>Debt Service Special Assessment</u>	<u>Total Component Units</u>
	<u>Operating</u>	<u>Debt Service</u>	<u>Operating</u>	<u>Debt Service</u>		
Revenues						
Taxes	\$ 692,598	\$ -	\$ 376,238	\$ -	\$ -	\$ 1,068,836
Special Assessments	-	-	-	-	31,716	31,716
Interest income	35,889	2,165	33,662	2,417	24,896	99,029
Other revenue	167,903	-	-	-	-	167,903
Transfers in	4,164	175,000	-	-	-	179,164
	<u>900,554</u>	<u>177,165</u>	<u>409,900</u>	<u>2,417</u>	<u>56,612</u>	<u>1,546,648</u>
Expenditures						
Current						
Community and economic development	297,358	-	5,380	-	-	302,738
Fire protection	67,934	-	-	-	-	67,934
Principal retirement	-	245,000	-	48,700	35,000	328,700
Interest and fiscal charges	-	19,555	-	117,050	25,684	162,289
Transfers out	175,000	4,164	-	-	-	179,164
	<u>540,292</u>	<u>268,719</u>	<u>5,380</u>	<u>165,750</u>	<u>60,684</u>	<u>1,040,825</u>
Excess (deficiency) of revenues over expenditures	360,262	(91,554)	404,520	(163,333)	(4,072)	505,823
Fund balance - beginning of year	<u>334,377</u>	<u>91,554</u>	<u>470,675</u>	<u>213,228</u>	<u>128,559</u>	<u>1,238,393</u>
Fund balance - end of year	<u>\$ 694,639</u>	<u>\$ -</u>	<u>\$ 875,195</u>	<u>\$ 49,895</u>	<u>\$ 124,487</u>	<u>\$ 1,744,216</u>

Charter Township of Union
Other Supplemental Information
Component Units
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended December 31, 2007

Net change in fund balances - Total governmental funds	\$ 505,823
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Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	156,852
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Property taxes	(186,387)
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Bond proceeds and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets. Also, governmental funds report are deferred and amortized in the statement of activities.

Repayments of long-term debt	328,700
Amortization of issuance costs, premiums, discounts and similar items	(3,249)
Bond Issuance costs	(10,991)
Interest	<u>(572)</u>

Change in net assets of governmental activities	<u>\$ 790,176</u>
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Charter Township of Union
Other Supplemental Information
Budgetary Comparison Schedule
Component Unit - East Downtown Development Authority
Year Ended December 31, 2007

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes	\$ 708,500	\$ 696,758	\$ 692,598	\$ (4,160)
Interest income	6,000	36,000	35,889	(111)
Other revenue	-	167,902	167,903	1
Transfers in	-	4,165	4,164	(1)
	<u>714,500</u>	<u>904,825</u>	<u>900,554</u>	<u>(4,271)</u>
Expenditures				
Current				
Community and economic development	579,975	722,875	297,358	(425,517)
Fire protection	67,934	67,934	67,934	-
Transfers out	<u>175,000</u>	<u>175,000</u>	<u>175,000</u>	<u>-</u>
	<u>822,909</u>	<u>965,809</u>	<u>540,292</u>	<u>(425,517)</u>
Total expenditures				
	<u>822,909</u>	<u>965,809</u>	<u>540,292</u>	<u>(425,517)</u>
Excess (deficiency) of revenues over expenditures	(108,409)	(60,984)	360,262	421,246
Fund balance - beginning of year	<u>334,377</u>	<u>334,377</u>	<u>334,377</u>	<u>-</u>
Fund balance - end of year	<u>\$ 225,968</u>	<u>\$ 273,393</u>	<u>\$ 694,639</u>	<u>\$ 421,246</u>

Charter Township of Union
Other Supplemental Information
Budgetary Comparison Schedule
Component Unit - West Downtown Development Authority
Year Ended December 31, 2007

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes	\$ 371,450	\$ 376,239	\$ 376,238	\$ (1)
Interest income	20,000	33,200	33,662	462
Total revenues	391,450	409,439	409,900	461
Expenditures				
Current				
Community and economic development	758,385	758,485	5,380	(753,105)
Fire protection	33,475	33,475	-	(33,475)
Transfers out	165,000	165,000	-	(165,000)
Total expenditures	956,860	956,960	5,380	(951,580)
Excess (deficiency) of revenues over expenditures	(565,410)	(547,521)	404,520	952,041
Fund balance - beginning of year	470,675	470,675	470,675	-
Fund balance - end of year	\$ (94,735)	\$ (76,846)	\$ 875,195	\$ 952,041



6018 Eastman Avenue
Midland, MI 48640
(989) 631-6060 / (800) 701-3574
Fax (989) 631-4288

May 14, 2008

Management and the Board of Trustees
Charter Township of Union
2010 South Lincoln Road
Mt. Pleasant, MI 48858

We have completed our audit of the financial statements of Charter Township of Union as of and for the year ended December 31, 2007 and have issued our report dated May 14, 2008. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

I Auditor's Communication of Significant Matters with Those Charged with Governance

II Management Comments

We discussed these matters with various personnel in the organization during the audit and with management. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board of Trustees, others within the organization, and are not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,

Yeo & Yeo, P.C.

Midland, Michigan
May 14, 2008

Responsibilities under generally accepted auditing standards

As stated in our engagement letter dated, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Our responsibility, as prescribed by US GAAS, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects. Our audit does not relieve you of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit as outlined in our discussion with you related to planning matters.

Significant Audit Findings

- Management is responsible for the selection and use of appropriate accounting policies. We will advise management about their appropriateness and application. The significant accounting policies are described in (Note 1) of the financial statements. We noted no transactions entered into by the organization during the year where there is lack of authoritative guidance or consensus. There are no significant transactions that were recognized in a period other than which they occurred.
- Accounting estimates are based on management's knowledge and experience about past and current events and assumptions. Some estimates are sensitive because of their significance to the financial statements and the fact that future events affecting them may differ from those expected.
- Disclosures in the financial statements are neutral, consistent and clear. Certain disclosures are more sensitive than others due to their relevance to the users of the financial statements.

Difficulties Encountered During the Audit

No difficulties were encountered during the audit.

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments.

Disagreements with Management

A disagreement with management is defined as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, which could be significant, individually or in the aggregate to the financial statements or the auditor's report. We had no disagreements with management during the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

From time to time, management may decide to consult with other accountants about audit and accounting matters. Should this occur, professional standards require the consulting accountant to communicate with us to determine that they have all the relevant facts. To our knowledge, there were no consultations with other accountants during the year.

Significant Issues Discussed or Subject to Correspondence with Management

From time to time auditors discuss significant issues with management such as business conditions affecting the entity, business plans and strategies that may affect the risk of material misstatement and the application of accounting principles and auditing standards. The issues discussed during the audit occurred during the normal course of our professional relationship and our responses were not a condition to our retention.

Appendix 2 Management Comments

In planning and performing our audit of the financial statements of Charter Township of Union as of and for the year ended December 31, 2007, we considered Charter Township of Union internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls, improving operating efficiency and reducing expenses. This letter does not affect our report date May 14, 2008, on the financial statements of Charter Township of Union. Our comments and recommendations regarding those matters are:

BIDDING PROCEDURES

The Township policy states that any purchases for goods or services exceeding an estimated contract cost of \$10,000 shall require the solicitation of sealed bids. During our testing of this policy we have noted that steps to obtain services from Gourdie Fraser, Inc. in the amount of \$18,257.25 have not followed this policy. No bids were received for work performed by this company. This management comment was also made during 2006.

Recommendation

We recommend that the Township Board reviews this policy during their upcoming meeting to remind everybody about the details in the policy. The policy should be strictly followed by the Township when purchasing good or services greater than \$10,000.

The Township is currently in the process of adopting a revised policy.

BANK DEPOSITS

Upon our review of the cash receipts journal and bank statements for fiscal year 2007 we have noted some time delays between when revenue payments are received in the office and taken to the bank for deposits. For example funds are shown as collected in the tax collection software, but not in general ledger and bank statement. This results in reconciling items at month end or year end, which results in more time spend during month and year end closing procedures as well as the audit.

Recommendation

Payments should be taken to the bank on as needed basis, based on the volume. During month end and year end it is especially important if funds received in the office that they are reflected that way in all areas of financial reporting of the township (general ledger, bank statements and various sub-ledgers).

The Township is currently in the process of revising it's deposit procedures.